

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2385 - SB 2247

March 12, 2012

SUMMARY OF BILL: Redefines the membership of the Tennessee Regulatory Authority (TRA) to consist of five part-time directors, instead of four full-time directors. Sets term expirations for existing directors. Requires monthly meetings, unless the requirement is waived by majority vote of directors. Requires the directors to elect a chair and vice-chair and delineates the chair's responsibilities. Sets the salaries for the directors. Creates an executive director position to be appointed by the Governor and defines his/her responsibilities.

ESTIMATED FISCAL IMPACT:

**Decrease State Expenditures – Net Impact –
\$347,100/Tennessee Regulatory Authority**

Assumptions:

- According to TRA, the salary expense for four full-time directors is \$609,600 per year (\$152,400 for each director x 4 directors). Benefits are estimated at 22.5 percent for a total of \$137,160 (\$609,600 x 0.225). The decrease in state expenditures for abolishing the four full-time directors is \$746,760 (\$609,600 + \$137,160).
- The provisions of the bill establish the annual salary of the five part-time directors to be \$36,000 annually resulting in an increase in state expenditures of \$180,000 (\$36,000 x 5). Since these will be part-time directors, benefits are estimated for FICA and Medicare only at 7.65 percent for a total of \$13,770 [(\$36,000 x 7.65%) x 5]. The cost of five part-time directors would be \$193,770 (\$180,000 + \$13,770).
- According to TRA, the executive director would be paid a yearly salary of \$152,400 since this position will assume many of the duties currently held by the chairman and act as chief operating officer. Benefits are estimated to be \$28,789 [(\$152,400 x 15.03%) + \$5,883 insurance]. Additional expenses related to the position are estimated to be \$14,900 (\$11,400 travel + \$3,500 communications, supplies, and printing and duplication services).
- The increase in state expenditures due to the addition of an executive director position would be \$196,089 (\$152,400 salary + \$28,789 benefits + \$14,900 other).
- According to TRA, the five part-time directors will continue to receive the benefit of a state vehicle. One additional state vehicle lease is estimated to increase expenditures by \$9,800.

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- The net decrease in state expenditures is estimated to be \$347,101 [$\$746,760 - (\$193,770 + \$196,089 + \$9,800)$].

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/kml